



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

August 30, 2006

F2006-21

TO: All Fair CEOs

SUBJECT: 2007 Annual Budget

We are pleased to present the 2007 Budget package for calendar year reporting fairs. This year we have made some minor modifications to the package in order to streamline the process and add consistency between the annual budget and statement of operations reporting templates. Please refer to the enclosed "Changes to Budget Package for 2007" for complete details.

You will see that two important additions to this year's package is the inclusion of your fair's five-year financial trend report as well as key reference pages from last year's approved budget and statement of operations on file with the Division of Fairs and Expositions (F&E). This reference data should be utilized to assist you with projecting next year's financial activity and to ensure the Fair's prior year "actual" numbers and prior-year "approved" budget numbers are accurately transferred to the Fair's proposed budget submittal and match **exactly** with F&E's records. If this is achieved, F&E's budget review processing time could potentially be reduced in half. We please ask for your cooperation in ensuring this simple, yet important, task is achieved.

Electronic budget forms and worksheets are no longer being provided with this package. All necessary forms and worksheets are available for immediate download on the Division's website at www.cdfa.ca.gov/fe. However, electronic forms and worksheets are available on diskette upon request. Requests can be made by calling our main telephone line at (916) 263-2955.

The budget submittal deadlines are:

October 20, 2006 - Fairs ending prior to July 1st

November 20, 2006 - Fairs ending between July 1st and December 31st

Local base allocations will continue to be disbursed in installments based upon budget approval and statement of operation submittal. The first portion of your allocation may be disbursed as early as November 2006, depending on budget approval date and available cash flow. The remainder of your allocation will be paid in installments prior to June 30, 2007.



We hope you find the new additions helpful and welcome any suggestions on improving the annual budget process in the future. Thank you in advance for your cooperation and timely completion of your budget proposals. Your efforts to prepare a complete and accurate budget will directly impact our ability to review and approve your proposals in the shortest time possible.

If you have any questions regarding this package please contact Crystal G. Myers at 916-263-2962.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Bruce Lim', with a stylized flourish at the end.

Bruce Lim, Assistant Director
Division of Fairs & Expositions

Encl.

DIVISION OF FAIRS & EXPOSITIONS 2007 ANNUAL BUDGET

CONTENTS

Enclosed Documents

- Changes to Budget Package
- 2007 Annual Budget Preparation Guide
- Budget Review Check Sheet
- Check List of items due by budget submittal deadline.

Forms & Worksheets Available via the Internet at www.cdfa.ca.gov/fe

- Budget Forms (Microsoft Excel)
- Budget Worksheets (Microsoft Excel)
- Budget Variance Explanation (Microsoft Word)

Division of Fairs & Expositions

2007 ANNUAL BUDGET

Changes to Budget Package

New for 2007!

Financial Trend Reports

- Division of Fairs and Expositions (F&E) financial trend reports are now included to assist fairs with their financial projections and budget development for 2007.
- Assuming local conditions and demographics have not changed significantly, historical trend statistics serve as an invaluable tool during the budget preparation exercise. F&E financial trend reports include both budgetary and financial data and indicators that could be used to monitor changes in the fairs' financial condition.
- Note that the analysis does not provide answers to the trends, nor does it provide a single index or number to measure the fairs' financial condition. It is simply for the fairs' own information.

Additional Copies of Prior Year Financials

- To minimize budget preparation errors and to ensure prior-year Statement of Operations (STOP) and budget figures are accurately reported on the fairs' 2007 budget proposals, F&E is now including a copy of key pages from the fairs' prior-year financial reports on file with F&E.
- The above referenced documents include pages 1, 2 and Schedule 1 from the fair's 2005 STOP that was accepted by F&E and pages 1, 2, and Schedule 2 from the fair's 2006 approved budget.
- **It is F&E's hope that inclusion of these documents will help minimize the significant number of discrepancies that occur each year when fairs do not carry forward identical numbers from the previous year. If these discrepancies are remedied, F&E's budget review turnaround time will be significantly reduced. Therefore, please ensure that the prior year numbers provided are accurately transferred to the budget proposal.**

Addition of Schedules 3A & 3B, Non-Fair Funds Reconciliations

- Schedules 3A & 3B have been added to assist fairs with projecting outside funding revenue anticipated in 2007. Schedule 3A will capture all resources acquired and used for capital projects, while Schedule 3B will capture all non-fair funds (e.g., flex capital funds, other operating grants, etc.) used for operating purposes.

- These schedules have been added to the budget template to be consistent with the STOP template format distributed to fairs last year. The schedules added are equivalent to Schedules 8A and 8B of the STOP template.

County Signatures (NON-DAAs ONLY)

- F&E suggests that County Fairs (Non-DAAs) acquire County signatures after the budget has been approved by F&E in order to eliminate the extra time necessary in acquiring another signature if budget modifications are required.
- Note that this is only a suggestion. Fairs that wish to obtain County Board of Supervisor approval prior to submittal to F&E may do so. However, re-submittal to the County may be necessary if suggested budget modifications significantly impact a fair's reserves.

Division of Fairs & Expositions 2007 ANNUAL BUDGET

Preparation Guide

This guide is designed to assist fairs with the preparation of their 2007 budget. All budgets must be submitted in accordance with the policies in these instructions.

The Importance of Budgeting

The budget is a vital management tool that should be utilized to:

- Plan and progress towards the goals and objectives of the fairs;
- Facilitate communication between management and the Board of Directors regarding the fiscal direction of the fairs;
- Control activities; and
- Measure and evaluate the financial performance of the fairs.

Budgeting forces the organization each year to step back from the day-to-day management of the operations and to think more strategically, to think longer-term and to plan. New data about future trends may also be revealed during the budget process when the organization analyzes external data such as local demographics, which can be important when preparing each year's budget.

Budgeting also requires members in different parts of the organization to coordinate their activities and communicate with one another. Budgeting is designed to give management an indication of the actions they are supposed to be taking and to motivate management and employees to take those actions. The budget should act as a basis for controlling activities. For example, by looking at the significant variances of actual performance against budget, management can take the necessary actions to ensure positive variances continue or negative variances are mitigated. Because comparisons of actual results with the annual budget are important, budgetary comparisons are a required element of fair budget submittals.

F&E's Budget Philosophy

The Division of Fairs and Expositions' (F&E) budget philosophy can be summarized as follows:

- Annual budget proposals should be realistic, achievable and consistent with the fair's strategic plan. Without these characteristics, the effectiveness of the budget as a management tool is diminished.
- Budget should reflect a net profit or, at worst, "break even" at year-end. State allocation is included when calculating total revenues.
- While there are wide variations of acceptable planning philosophies, F&E recommends historical trend budgets.

- Significant variances of actual performance against budget should have reasonable explanations.
- Current-year projections and the degree of growth contained within the annual budget proposal should be realistic and reasonable based on past financial trends and performance (*historical trend budgeting*).
- Since a state-wide contingency fund does not exist to finance unforeseen liabilities at fairs, maintaining a reserve balance of 10% to 15% of the fairs' prior year actual expenditures is recommended, *but not required*.

Budget Copies

Submit one (1) original, signed budget and one (1) copy to F&E. Non-DAA fair organizations that are required to present F&E-signed budgets to their host county/agency should submit the additional number of copies needed for signature and indicate the need for return.

Deadline

The budget submittal deadline is as follows:

October 20, 2006 - Fairs ending prior to July 1st

November 20, 2006 - Fairs ending between July 1st and December 31st

For F&E to process your budget in a timely manner it must be **complete** and **postmarked no later than the fair's applicable due-date noted above**. Budgets are reviewed in the order they are received. F&E suspends the processing of incomplete budget submittals (e.g., missing forms, inaccurate calculations, inadequate justifications, unrealistic projections, etc.) until it has received all appropriate information or documentation.

Base Allocations

Local base allocations will continue to be disbursed in installments based upon budget approval and statement of operation submittal. The first portion of your allocation may be disbursed as early as November 2006, depending on budget approval date and available cash flow. The remainder of your allocation will be paid in installments prior to June 30, 2007.

Below is a summary of 2007 base allocation amounts for your reference:

Fair Classification	2007 Base Allocation
I	\$180,000
II	\$150,000
III	\$124,000

Fair Classification	2007 Base Allocation
IV	\$105,000
V	\$40,000
VI-VII	\$35,000
Special Events	
Grand National Rodeo (1-A DAA)	\$140,000
Great Western Livestock Show (24 th DAA)	\$50,000
San Benito County Saddle Horse Show	\$50,000

Budget Pages to Submit

Fair organizations must submit the following budget pages *in the order listed*:

(For ease of processing, do not staple pages together; instead please use binder clip on completed package.)

Budget Forms (ALL FAIRS)

- ☐ Pages 1 to 11 With appropriate signatures
- ☐ Schedule 1-A Permanent Positions on roster for 2007 (filled, vacant, and proposed)
- ☐ Schedule 1-A2 Projected Employee Leave Balances
- ☐ Schedule 1-B Temporary Positions proposed for 2007
- ☐ Schedule 1-C Contracted Professional Services for 2007
- ☐ Schedule 2 Property, Plant and Equipment
- ☐ Schedule 3A Non-Fair Funds Reconciliations for Capitalized Projects
- ☐ Schedule 3B Reconciliation of Non-Fair Funds Used for Operating Purposes
- ☐ Exhibit 1 Budget Variance Explanation (with required signatures)

Fair organizations with Satellite Wagering:

- ☐ SW-1 Summary of Satellite Wagering
- ☐ SW-2 Satellite Wagering Labor Detail

Fair organizations with Motorized Racing (Fair promoted only):

- ☐ MR Summary of Motorized Racing
- ☐ MRL Motorized Racing Labor Detail

District Agricultural Associations (DAAs) only:

- ☐ Exhibit II Personnel action request for proposed new or reclassified positions

Additional Required Reports (ALL FAIRS):

- ☐ Balance Sheet
- ☐ Income Statement
- ☐ Summary Trial Balance

Reporting of Prior-Year Actual & Budget Data *NEW*

Now included are pages 1, 2 and Schedule 1 from the fairs' 2005 STOPs that were accepted by F&E and pages 1, 2, and Schedule 2 from the fairs' 2006 approved budgets to assist with reporting prior-year actual financial data and the prior-year approved budget data.

The prior-year STOP and budget data should be transferred to columns 1 and column 2 of the budget proposal, respectively, without modification. If the Fair feels that deviating from the previously reported data is warranted, we recommend that the Fair contact F&E to discuss the matter before finalizing the budget proposal. This simple, yet important, task can potentially reduce F&E's processing and turnaround time in half. Therefore, it is to the Fair's advantage to ensure this task is achieved.

Procedure for Page 1

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to segregate restricted versus unrestricted net resources as well as investment in capital assets when preparing financial reports. Page 1 of the budget allows the breakdown of beginning and ending resources into these three categories. The introduction of Schedule 2, Property, Plant and Equipment, facilitates this breakdown by carrying forward the amount invested in capital assets. Formulas are built into page 1 that will automatically calculate available resources. Restricted resources must be manually entered in the appropriate cell.

2005 Audit for Non-DAA's

Non-DAA fair organizations not audited by Department of Food and Agriculture **must** submit a copy of their 2005 audit with the budget submittal. The audit must be conducted by the host county/agency or by a certified public accountant and must meet the host county/agency's requirements.

BUDGET SCHEDULES AND EXHIBIT I

The following schedules and exhibit are part of the complete budget packet. Bullets detail some reminders or items to consider when preparing the forms.

Schedule 1-A, Permanent Positions

- DAA's are to use the exact civil service class title (county & non-profit fair associations may use the position working title).
- Provide all details requested.
- Include all approved filled or vacant positions and any proposed new positions.
- List vacant positions *not being filled*, noted as "vacant," and showing no dollar amount.
- Reflect appropriate salary rates, including anticipated increases/cost of living adjustments (COLAs).
- Show overtime to be paid, in lieu of compensating time off (CTO), as a lump sum line item for each applicable account.
- Support proposed new or reclassified positions on Exhibit II, Personnel Action Request. (DAA's only)

Schedule 1-A2, Employee Leave Balance

Fairs are required to budget annually for the projected year-end adjustment to their liability for vacation, annual leave, holiday credits, Personal Leave Program (PLP), and

compensated time off (CTO) for all eligible fair staff. In the past, F&E has directed Fairs to utilize Accounts 24500, Compensated Absence Liability, and 80000, Prior Year Expense Adjustment, when posting the year-end adjustment. Fairs will now post the adjustment to Account 50300, Compensated Leave Expense in lieu of Account 80000. As a reminder, this adjustment may be a debit or credit entry to Account 50300 depending on whether your total liability at year-end is increasing or decreasing, respectively.

Complete Schedule 1-A2 in the following manner:

- List all permanent and seasonal positions.
- Under the columns "Estimated 2006" indicate the estimated 12/31/06 leave balances and hourly pay rate for each position.
- Under the columns "Projected 2007" indicate the projected 12/31/07 leave balances and hourly pay rate for each position.
- The projected 2007 year-end adjustment will be the difference between the end-of-year 2006 liability and the end-of-year 2007 liability. This total will carry to account 50300, Compensated Leave Expense on page 6.

NOTE: Some non-DAA fairs may be required to accrue sick leave in addition to the aforementioned liability. Refer to your county or non-profit entity requirements, where applicable.

Schedule 1-B, Temporary Positions

- Include all non-permanent employees and budgeted amounts for any account where temporary wages are allocated.
- ***Include non-testing seasonal positions (civil service 194-day actual time worked [ATW] appointments).***
- Include overtime at time and one-half if fair no longer meets criteria for FLSA exemption. Otherwise, overtime should be budgeted at straight-time.
- Provide all detail requested on form.

NOTE: The amounts shown for each account on the schedule(s) must agree with the amounts included in the respective accounts, budget pages 6 through 9.

Schedule 1-C, Contracted Services

- Include all contracted professional services and budgeted amounts for any account where professional services are allocated.
- Provide all detail requested on form.

NOTE: The amounts shown for each account on the schedule(s) must agree with the amounts included in the respective accounts, budget pages 6 through 9.

Schedule 2, Property, Plant and Equipment

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to report the value of their fixed assets (property, plant and equipment) in their financial reports using the full accrual basis of accounting. Under this method, expenditures for capital outlays are reported as assets and depreciation is reported as

an expense over the estimated useful life of the asset. Beginning January 2004, all fairs were required to begin depreciating their fixed assets. Therefore, fairs must budget for the estimated depreciation expense for 2007 using account 90000, Depreciation Expense.

Schedule 2 is designed to help fairs plan property acquisition and disposition and, using this data, projects their year-end investment in capital assets. This projection is then carried forward to the ending resources on page 1.

Complete Schedule 2 in the following manner:

- Beginning Property, Plant and Equipment (PP&E) is the total amount of accounts 19000, Construction in Progress; 19100, Land; 19200, Buildings and Improvements; and 19300, Equipment. Do not subtract accumulated depreciation or long-term debt associated with capital assets as these amounts will be deducted later. Enter this amount in the estimated 2006 column.
- Under Acquisitions of Fixed Assets, list any purchases or projects completed or planned for completion in 2006.
- Under Disposition of Fixed Assets, list any assets disposed of in 2006. Disposal of an asset includes sale, theft, loss, or salvage. This would include demolition of an existing structure.
- Under Accumulated Depreciation, January 1, list your January 1, 2006 beginning total for accounts 19210, Accumulated Depreciation-Buildings and Improvements; and 19310, Accumulated Depreciation-Equipment.
- Under Annual Depreciation Expense, enter the estimated 2006 depreciation amount.
- The Accumulated Depreciation, December 31, ending amount will automatically carry to the January 1, 2007 beginning Accumulated Depreciation cell.
- Under Long-Term Debt, enter the estimated year-end amount of all long-term debt associated with PP&E.
- Repeat this process to complete the Proposed 2007 column.

Schedule 3A, Non-Fair Funds Reconciliation for Capitalized Projects *NEW*

Please enter all projected non-fair funding anticipated in 2007 to "Capital Project Reimbursements," account 31900, on this schedule. Separate them out into the appropriate categories as listed on the form.

Enter the corresponding capital investment in the appropriate section of the form. If the fair plans to process project funds through its own books (i.e., if the fair pays the vendors directly), enter this information under "Resources Applied (Run through Fair's Accounting System)." If the capital expenditures are expected to be paid directly by outside sources (i.e., CCA), enter this information under "Resources Applied (Paid directly by CCA)." Do not include fair funded expenditures.

"Resources appropriated in prior year" (top of schedule) should be used to reflect resources acquired in a prior year that were previously recorded as deferred revenue, but is now being recognized as revenue in the current year. Deferred revenue is recorded when a fair receives resources in one year, but does not expect to expend the

funds on a capital project until a subsequent year. The recognition of the revenue takes place when such funds are ultimately spent on the capital project for which the funds were designated.

Schedule 3B, Reconciliation of Non-Fair Funds Used for Operating Purposes *NEW*

This schedule summarizes projected non-operating funds anticipated in 2007 earmarked for operating activities that are not related to capital projects (e.g. flex capital funds, non-governmental operating grants, etc.). Do not include fair funded expenses.

Beginning in 2006, account 94500, Other Operating Expense, shall be used to record fair operating expenses funded from non-fair sources. **Fairs should not record such expenditures to their standard operating expense accounts. Posting these expenditures to the fair operating expenses is no longer recommended.** Utilizing Account 94500 to capture all operating expenses funded from non-fair sources will allow the fair and F&E to separately identify the status of non-fair funds received by the Fair for specified purposes. This will ensure that all such funds are ultimately spent for the purposes intended.

Exhibit 1, Budget Variance Explanation

Budgetary comparisons are a requirement for budget submittals. This includes a comparison of (a) 2006 budget to 2006 estimated results of operations and (b) 2006 estimated results of operations to 2007 proposed budget. As previously mentioned in F&E's Budget Philosophy section, significant budget variances should have reasonable explanations. Significant variances that are not explained may require additional information for final budget approval.

- Report form is prepared in Word table format.
- Variances are automatically calculated on page 11 of the budget.
- All variances of +/- \$10,000 and 10% or greater must be explained. The purpose of utilizing both the dollar and percentage variances is to avoid requiring explanations for variances that may be significant in dollar amount, but immaterial as a percentage change and vice versa.
- For variances less than the above criteria, please note in the explanations "No significant change."
- ***CEO and board president must sign form.***

SATELLITE WAGERING

F&E requires fairs that operate satellite wagering facilities to budget funds for the exclusive purpose of maintaining the satellite wagering facilities at high comfort and aesthetic standards. F&E recommends, at the minimum, an amount equal to the fair's previous annual contribution to CARF's equipment replacement fund.

Satellite Wagering (SW-1) & Labor Detail (SW-2)

- Provide all detail requested on form.
- Include an amount for equipment replacement or sinking fund in account 65405.

MOTORIZED RACING

Fairs that produce motorized racing events are required to complete and submit details of revenues and expenses, and a listing of related labor costs.

Motorized Racing (MR) & Labor Detail (MRL)

- Provide all detail requested on forms.

BUDGET PREPARATION WORKSHEETS

Worksheets designed to aid you in the preparation of your budget are available via download at www.cdffa.ca.gov/fe. They are being provided for the fair's use only. **Please DO NOT submit the following with the budget.**

- **Accrued Revenue & Expense (W-R&E)**
- **Junior Livestock Auction (W-JLA)**
- **Fair Labor Standards Act (W-FLSA)**
- **Employee Benefits and Payroll Taxes (W-EB)**

ADDITIONAL CONSIDERATIONS

Employee Benefits, Employer's Portion (subject to change)

- Social security (OASDI) is calculated at 6.2%; it affects schedule 1-A employees and temporary employees who exceed 1000 hours in a fiscal year (July through June). (For more specific information, contact your Human Resources analyst.)
- Medicare or hospital insurance (HI) applies to **all** employees and is computed at 1.45%.
- Part-time, Seasonal, Temporary (PST) calculated at the rate of \$4.45 per employee, per month and applies to schedule 1-B employees who work less than 1000 hours in a fiscal year (July through June).
- Health insurance premiums should be projected at a 3% to 10% increase from actual 2006. For more specific detail, check with provider.
- Retirement contributions are calculated at applicable rates for the specific tier. *Fair organizations should adjust these rates to the most recent quote from PERS.*
- Other benefits, i.e., dental, vision, long term disability (LTD), etc. should be calculated at the rates specified by the provider; if processed through California

Fairs Services Authority (CFSA), a \$2.00/employee/month/benefit administration fee is assessed in addition to the premiums.

Insurance Costs

- General Liability Contact CFSA for current rates
- Workers Compensation (applies to all employees and volunteers) Contact CFSA for current rates
- Unemployment Insurance (UI)
 - Employer's costs * Class I-II 0% of total projected UI cost
 - Class III-IV 30% of total projected UI cost
 - Class V-VII 60% of total projected UI cost

* Effective July 1, 2006. UI rates are subject to change pending availability of funds.

Minimum Wage

- Assembly Bill 1835 proposes to raise the current state minimum wage of \$6.75 an hour to \$7.50 on January 1, 2007 and to \$8.00 by January 1, 2008. While the bill has not yet been signed into law, the Governor has already stated that he will sign it assuming it passes both houses of the legislature. We recommend that you budget for the increases accordingly.

ADDITIONAL NOTES

Review Meeting(s)

As a condition of funding approval, F&E may request to meet with the CEO and members of the board to discuss the financial condition of the fair organization.

Questions?

Please direct any questions regarding preparation of the annual budget submittal to:

Crystal G. Myers
Accounting Analyst
Division of Fairs & Expositions
(916) 263-2962
(916) 263-2969 fax
E-mail: Cgmyers@cdfa.ca.gov

Division of Fairs & Expositions
2007 ANNUAL BUDGET

Budget Review Check Sheet

You can avoid some of the most common items that slow budget approval by double-checking the following:

- ☐ Do the Actual 2005 figures agree exactly with the 2005 Statement of Operations as submitted to Fairs & Expositions?
- ☐ Do Budget 2006 figures agree with the 2006 Budget approved by Fairs and Expositions? With the exception of beginning resources, these figures must agree exactly with your 2006 approved budget. (Do not include budget transfers.)
- ☐ Does the beginning reserve for Estimated 2006 agree exactly with the ending reserve on the 2005 Statement of Operations as submitted to Fairs & Expositions?
- ☐ Does the beginning reserve for Proposed 2007 agree exactly with the ending reserve from the Estimated 2006 column?
- ☐ Are all pages, schedules, and exhibits complete and contain all required signatures?
- ☐ Did you remember to include the required additional reports (balance sheet, income statement, and summary trial balance)?

Division of Fairs & Expositions

2007 ANNUAL BUDGET CONTENTS CHECKLIST

Check list of the documents to be included with the 2007 Budget.

2007 Operating Budget:

- ☐ Pages 1-11 (Signatures required on page 1)
- ☐ Schedule 1-A, Permanent Positions
- ☐ Schedule 1-A2, Projected Employee Leave Balance
- ☐ Schedule 1-B, Temporary Positions
- ☐ Schedule 1-C, Contracted Professional Services
- ☐ Schedule 2, Property, Plant & Equipment
- ☐ Schedule 3A, Non-Fair Funds Reconciliation for Capitalized Projects
- ☐ Schedule 3B, Reconciliation of Non-Fair Funds Used for Operating purposes
- ☐ Exhibit 1, Budget Variances (Signatures required)

Reports:

- ☐ Balance Sheet (as of Sept 30th or Oct 30, 2006)* depending on due date
- ☐ Income Statement (as of Sept 30th or Oct 30, 2006)* depending on due date
- ☐ Summary Trial Balance (as of Sept 30th or Oct 30, 2006)* depending on date

Fair organizations with Satellite Wagering Facilities:

- ☐ SW-1, Satellite Wagering detail
- ☐ SW-2, Satellite Wagering labor detail

Fair organizations with Fair-Operated Motorized Racing:

- ☐ MR, Motorized Racing detail
- ☐ MRL, Motorized Racing labor detail

DAAs proposing personnel changes:

- ☐ Exhibit II, Personnel Action Request

Non-DAAs:

- ☐ Copy of 2005 audit

Required signatures must be included for the budget to be processed.